



ORIGINAL: ENGLISH

2 June 2018

**EXECUTIVE COUNCIL TO THE
INTER-AMERICAN INSTITUTE FOR GLOBAL
CHANGE RESEARCH
Forty-fifth meeting
Antigua, Guatemala, 19 June 2018
Agenda item 7**

**Approval of the Overview of the Financial Status for FY 2017-2018, the Auditors
report of 2018 and the Core Budget and Country Contributions for FY 2018-2019 and
Preliminary request 2019-2021**

1. This document has been prepared by the IAI Directorate.

Background

2. The *Standing rules of the Executive Council of the Inter-American Institute for Global Change Research*, as approved by the 21st meeting of the Conference of the Parties (Montevideo, 2013), chapter 1, rule 11, states:

The CoP Executive Council Meeting shall review financial and budgetary matters and any pending items in preparation for the Conference of the Parties.

3. Additionally, rule 12 of the *Standing rules* states:

The Executive Council shall make a recommendation concerning the Plan and Budget to the Conference of the Parties immediately following the CoP Executive Council Meeting.

Approval of the Overview of the Financial Status for FY 2017-2018 and Audit of 2018

4. *The Overview of the Financial Status for FY 2017-2018, the Auditors report of 2018 and the Core Budget and Country Contributions for FY 2018-2019 and Preliminary request 2019-2021* were presented to and reviewed and approved by the Financial and Administrative Committee.
5. Accordingly, these financial documents are attached as Annexes 1, 2 and 3 respectively to this document.

Recommendation

6. The Executive Council is invited to consider approval of the *Overview of the Financial Status for FY 2017-2018, the Auditors report of 2018 and Core Budget and Country Contributions for FY 2018-2019 and Preliminary request 2019-2021*.

Annex 1

Overview of the Financial Status for FY 2017-2018



ORIGINAL: ENGLISH

5 June 2018

**CONFERENCE OF THE PARTIES TO THE
INTER-AMERICAN INSTITUTE FOR GLOBAL
CHANGE RESEARCH
Twenty-sixth meeting
Antigua, Guatemala, 20-21 June 2018
Agenda item 5a**

Financial and budgetary matters

Annex 1: Overview of the Financial Status for FY 2017-2018

1. This document has been prepared by the IAI Directorate.

Introduction

2. This document presents an overview of the financial status for the fiscal year 2017-2018 and an update on Party contributions to 30 April 2018.

Background

3. The *Agreement Establishing the Inter-American Institute for Global Change Research*, Article XIII, *Financial provisions*, paragraph 1, states:

A budget of operational expenses for the Institute, consisting of salaries for the Directorate and basic support for the Directorate, Scientific Advisory Committee, and Executive Council shall be supported by the voluntary contributions pledged

annually for a three-year period by the Parties in accordance with the interests of the Parties. Such pledges shall be in increments of US\$ 5,000. The adoption of the annual budget shall be by consensus of the Parties. The Parties recognize that regular contributions to the operational budget are essential to the success of the Institute and that such contributions shall take into account the research resources of the contributing parties.

4. The Conference of the Parties, at its 25th meeting (Bogota, 2017), adopted Decision XXV/25, which states:

The CoP encourages proactive participation by country representatives in IAI meetings, reporting on IAI research project results in their countries, and working for the timely payment of country contributions.

5. The Conference of the Parties, at its 24th meeting (Santiago, 2016), adopted Decision XXIV/25, which states:

The CoP decided that small countries having arrears in contributions could cancel their debts by organizing events or other activities that would be attributable to the IAI core budget.

6. The Conference of the Parties, at its 6th meeting (Ottawa, 1999), adopted Resolution 6, which urged Parties to:

...assure that their voluntary contributions are made fully and on a timely basis to allow the development of the Institute for the shared benefit of all.

7. CoP-6 also adopted Resolution 7, which proposes an amendment to Article XIII of the Agreement. It states:

A budget of operational expenses for the Institute, consisting of salaries for the Directorate and basic support for the Directorate, Scientific Advisory Committee, and Executive Council shall be supported, by the voluntary contributions pledged annually for a three-year period by the Parties in accordance with the interests of the Parties. Such pledges shall be in increments of US\$ 1,000. The minimum contribution shall be US\$ 5,000¹. The adoption of the annual budget shall be by consensus of the Parties. The Parties recognized that regular contributions to the operational budget are essential to the success of the Institute and that such contribution shall take into account the research resources of the contributing Parties.

8. At the time of writing, the amendment to Article XIII has not entered into force, as the required 2/3 of the Parties, which are currently members of the Institute, have not notified the Depository (General Secretariat of the Organization of American States)

¹ Underlined text by the IAI Directorate. Underlined text identifies proposed amendments to Article XIII.

through appropriate diplomatic channels, that they have completed their corresponding domestic legal requirements².

Financial status for the fiscal year 2017-2018

Party Contributions

9. As of 30 April 2018, the contributions received (cash incomes) represent the equivalent of 52% of the approved contributions for the fiscal year 2017/2018.
10. The non-submission of expected contributions is beginning to place stress on the ability of the IAI Directorate to fulfill its mandate and complete its activities.
11. Table I shows the status of the Party contributions.

Table I

Core Budget 2017 /2018						
Status of Country Contributions as of April 30, 2018						
Amounts in US \$						
	Due as of 30-Jun-17	Contribution for FY 17/18	Paid in 2017/2018 to be applied to:			Due as of 30-Jun-18
			Arrears	Current year	Advances	
Argentina	78,957	69,000				147,957
Bolivia	55,000	5,000				60,000
Brazil	120,206	120,000				240,206
Canada	77,821	173,000		(146,362)		104,459
Chile	6,000	8,000				14,000
Colombia	13,256	13,000	(8,823)			17,433
Costa Rica	(5,341)	5,000				(341)
Cuba	65,067	5,000				70,067
Dominican Republic	100,000	5,000	(5,000)			100,000
Ecuador	(5,000)	5,000				-
Guatemala	100,000	5,000				105,000
Jamaica	65,000	5,000				70,000
Mexico	-	85,000				85,000
Panama	(4,915)	5,000				85
Paraguay	39,153	5,000	(10,169)			33,984
Peru	(26,286)	6,000				(20,286)
Uruguay	(5,000)	5,000				-
USA (*)	121,415	831,000	(52,416)	(506,641)		393,358
Venezuela	135,000	45,000				180,000
Totals	930,335	1,400,000	(76,409)	(653,003)	-	1,600,923

² For a list of Parties which have notified the Depository, see: [http://www.oas.org/juridico/english/sigs/c-19\(1\).html](http://www.oas.org/juridico/english/sigs/c-19(1).html)

12. The IAI Directorate notes Decision XXV/25 which encourages proactive participation by country representatives to work for the timely payment of country contributions.
13. It is also noted that USD5000.00 in January 1992 had the same buying power as USD8974.19 in January 2018, or, in other words, the purchasing power in 2018 of the Core Budget has decreased significantly.

Efforts by the IAI Directorate related to late Party contributions

14. The IAI Directorate has met and discussed the need for timely submissions of contributions with Parties that are late in meeting their pledges. The IAI Directorate is hopeful that Parties will be able to submit in a timely manner their contributions.

Status of the core budget and expenses

Expenses

15. Table II summarizes expenses at the close of 28 February 2018 (8 months into the fiscal year).
16. Expenses were 9.9% lower than that foreseen in the core budget (67% of the total budget), representing a slight improvement in expenses from the budget performance for previous fiscal years.

Table II

Budget Performance				
July 2017 - February 2018				
Amounts in US\$				
Category	Actuals 2017/2018	YTD Budget 2017/2018	Difference	%
Salaries & Benefits	617,147	652,602	(35,455)	-5.4%
Travel & Training	34,220	66,187	(31,967)	-48.3%
Equipment	17,776	7,133	10,642	149.2%
Operational Costs	139,555	145,411	(5,857)	-4.0%
Dissemination & Outreac	32,607	26,000	6,607	25.4%
Director's Fund	-	36,000	(36,000)	-100.0%
Total	841,304	933,333	(92,029)	-9.9%

Salaries and benefits

17. Salaries and benefits show a slight decrease of -5.4% from what was budget for the 2017/2018. At the end of the fiscal year, the IAI Directorate expects to be in line with the full-year budget. It is noted that an additional impact will be received in the last trimester of 2017/2018 owing severance payments due to the resignation of the Director of Finance and Administration.

Travel

18. Travel and training expenses are significantly lower than expected, i.e. -48.3%. The IAI Directorate made efforts to cover travel costs from non-core funds whenever possible and as appropriate.
19. Moreover, several missions were planned to occur back-to-back thereby providing savings in air travel.
20. The new IAI Executive Director has also implemented an economy class travel only policy, with exceptions for health reasons.
21. The termination of the consultancy in the Science-Policy Liaison Directorate in Buenos Aires, Argentina, provided the means to better coordinate travel associated with that office with other IAI missions resulting in considerable savings.

Equipment

22. Equipment costs were higher, 149.2%, owing to the need to purchase software licenses, anti-virus software, instalment of IP telephony for staff, purchase of network equipment, increased network security, update of server operating systems and purchase of 3 new laptops for staff.

Operational costs

23. Operational costs were slightly lower, -4.0%. However, it is expected that operational costs will meet what was originally budgeted by the end of the fiscal year.

Dissemination and outreach

24. Costs associated with dissemination were higher, 25.4%, owing to the effect of consultant salaries accounted for as salaries.

Cash composition and core budget reserves

25. The cash balance at the end of March 2018 was 39.5% lower (see Table III) than the balance at the end of April 2017.

26. Part of the amount in Table III, in the line “program funds,” refers to USD50,000 received under the agreement between the IAI Directorate and the National Scientific and Technical Research Council of Argentina (Consejo Nacional de Investigaciones Científicas y Técnicas) to support CRN3 projects that have the participation of Argentina.
27. The remaining funds refer funds from the United States National Science Foundation that are normally requested to keep the balance of cash-on-hand close to zero and were requested in advance owing to temporary problems related to the establishment of a bank account on United States soil. This problem has been resolved and the funds will be disbursed before the end of the fiscal year.
28. The Cash reconciliation reflects a critical situation caused by the non-submission of voluntary contributions by several Parties. If the undisbursed funds by the United States are taken into consideration, the current available funds can cover 7.1 months of operations.
29. Expenses continue to be tightly controlled specially since extraordinary and considerable expenses are planned before the end of the calendar year (severance as per the contracts, relocation expenses, moving allowances).

Table III

Cash Reconciliation			
At the end of March 2018			
Amounts in US\$			
	Apr-17	Mar.-18	Variance
Program Funds	533,824	419,676	-21.4%
IAI C B Funds	875,831	433,282	-50.5%
Total Cash	1,409,656	852,958	-39.5%

Administration

Staff handbook

30. Updates to the *Staff handbook* were discussed and approved by the FAC.

Tripartite Agreement

31. Implementation of the Tripartite Agreement is discussed in document *Decision XXV/30: Implementation Committee for the Tripartite Structure of the IAI*, no. IAI/COP/26/13.
32. Parties are invited to take note of the document and the draft decisions contained in the annex.
33. The contract for the consultant working out of the Science-Policy Liaison Directorate was terminated on October 2017. The Executive Director assumed responsibilities for that post in the interim.

Internal Controls

34. Internal controls continue to be updated when opportunities for improvement are detected. Currently there are no critical internal control issues either from the FAC or the external auditors.
35. The IAI Directorate received the external auditor's report for the past fiscal year (2016/2017) and it is available as an information document. The external audit report was received without qualifications.

Accounting and Information Management Software

36. The Accounting and Information management software has contributed to more efficient administrative and financial controls to the budget and provides easier to manipulate information used by the management of the IAI Directorate. The Director of Finance and Administration resigned his post on 30 March 2018. An acting Administration, Finance and Operations Officer is fulfilling the responsibilities assigned to the post.

Recommendation

37. The Conference of the Parties is invited to take note of this document.
38. The Conference of the Parties is invited to take note of the draft decisions contained in document *Financial and budgetary matters Annex 2: Core budget and country contributions for FY 2018-2019 and preliminary request 2019-2021*, no. IAI/COP/26/5/ANNEX/b.

Annex 2

INTER-AMERICAN INSTITUTE FOR GLOBAL CHANGE RESEARCH - IAI
Independent Auditors' Report
Financial statements as of June 30, 2017 and 2016
(only in English)

**INTER-AMERICAN INSTITUTE FOR
GLOBAL CHANGE RESEARCH - IAI**

Independent Auditor 's Report

**Financial statements
As of June 30, 2017 and 2016**

INTER-AMERICAN INSTITUTE FOR GLOBAL CHANGE RESEARCH - IAI

**Financial statements
As of June 30, 2017 and 2016**

Contents

Independent Auditor 's Report	2
Balance sheets	4
Statement of operations	5
Statement of comprehensive operations	6
Statement of changes in net assets	7
Statement of cash flows	8
Explanatory notes to the financial statements	9

INDEPENDENT AUDITOR`S REPORT

**To the Executive Council of
Inter-American Institute for Global Change Research - IAI**

Opinion

We have audited the accompanying financial statements of Inter-American Institute for Global Change Research -IAI ("the Institute"), which comprise the balance sheet as of June 30, 2017, and the related statements of operations and comprehensive operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Inter-American Institute for Global Change Research - IAI as of June 30, 2017 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles in the United States of America.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Institute in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Uruguay, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting principles in the United States of America, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Institute's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Institute or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Institute's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

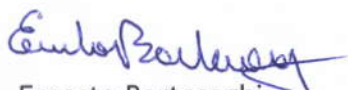
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institute's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Institute to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Montevideo, June 15, 2018


Ernesto Bartesaghi
Contador Público
C.J. y P.P.U. N° 52.042

BDO Auditores y Consultores S.R.L.



Balance sheets
As of June 30, 2017 and 2016
(In U.S. Dollars)

Assets		Explanatory note	30/6/2017	30/6/2016
Current				
Cash and cash equivalents	3	1,243,291	444,180	
Collaborative research network				
CRN I - Advances for dissemination activities	4.6	2,082,205	683	
CRN III - project advances	4.3	-	2,975,067	
Training Institutes - 2008	4.5	4,109	3,213	
Training Institutes - 2011 grant		19,183	4,730	
Other accounts receivable		3,348,788	50,137	
			3,478,010	
Non current				
Property and equipment	6	63,851	75,708	
		63,851	75,708	
Total assets		3,412,639	3,553,718	
Explanatory notes are integral part of accounting statements.				

Liabilities and net assets		Explanatory note	30/6/2017	30/6/2016
Current				
Accounts payable		145,247	125,868	
Advanced core budget contributions	7	46,626	352	
		191,873	126,220	
Net assets				
Temporarily restricted				
Unallocated research funds:				
CRN I	4.1	66,334	66,334	
CRN III	4.6	2,340,223	2,971,926	
Training Institutes - NSF	4.2	5,762	5,762	
Training Institutes - IHDP	4.2	(2,818)	(2,818)	
Special Research Funds		5,000	5,000	
Training Institute - 2008	4.3	4,633	4,633	
Training Institute - 2011	4.5	(35,872)	(35,872)	
Mac Arthur - new program	4.4	(4,794)	1,003	
NKAR program		2,587	2,587	
PDS 2016	4.7	10,446	(32,166)	
Unrestricted		829,265	441,109	
		3,220,766	3,427,498	
Total liabilities and net assets		3,412,639	3,553,718	

Explanatory notes are integral part of accounting statements.

INTER-AMERICAN INSTITUTE FOR GLOBAL CHANGE RESEARCH - IAI

Statement of operations As of June 30, 2017 and 2016 (In U.S. Dollars)

	Explanatory note	30/6/2017	30/6/2016
Revenues, gains and contributions			
Temporarily restricted revenues			
Collaborative research network - CRN III		983.124	1.438.262
PDS 2016		147.066	-
SGP-CRA		-	306.762
ENSOCIO		-	7.666
Unrestricted revenues			
Contributions from member nations	5.1	1.757.646	1.384.628
Donated services, utilities and use of fixed assets	5.2	132.270	160.082
Interest income		20	20
Overheads		27.074	11.229
Total revenues, gains and contributions		3.047.200	3.308.649
Expenses			
Core budget expenses			
Management and general expenses	8	(1.528.852)	(1.495.256)
Total core budget expenses		(1.528.852)	(1.495.256)
Research expenses			
Collaborative research network - CRN III		(1.614.828)	(1.516.763)
Training Institute - 2008		-	(161)
Training Institute - 2011		-	(107.820)
SGP-CRA		-	(739.122)
Mac Arthur - new program		(5.797)	(33.542)
ENSOCIO meetings		-	(7.666)
PDS 2016		(104.454)	(32.166)
Total research expenses		(1.725.079)	(2.437.240)
Total expenses		(3.253.931)	(3.932.496)
Change in net assets for the year		(206.731)	(623.847)
Temporarily restricted net assets			
Collaborative research network - CRN III		(631.704)	(78.501)
Training Institute - 2008		-	(166)
Training Institute - 2011		-	(107.820)
Mac Arthur - new program		(5.797)	(33.542)
SGP-CRA		-	(432.360)
PDS 2016		42.612	(32.166)
Unrestricted net assets		388.158	60.708
Change in net assets for the year		(206.731)	(623.847)

Explanatory notes are integral part of accounting statements.

INTER-AMERICAN INSTITUTE FOR GLOBAL CHANGE RESEARCH - IAI

Statement of comprehensive operations As of June 30, 2017 and 2016 (In U.S. Dollars)

	<u>30/6/2017</u>	<u>30/6/2016</u>
Change in net assets for the year	(206.731)	(623.847)
Other comprehensive operations	-	-
Total comprehensive operations for the period	<u>(206.731)</u>	<u>(623.847)</u>

Explanatory notes are integral part of accounting statements.

INTER-AMERICAN INSTITUTE FOR GLOBAL CHANGE RESEARCH - IAI

Statement of changes in net assets As of June 30, 2017 and 2016 (In U.S. Dollars)

	30/06/2017			30/06/2016		
	Temporarily restricted	Unrestricted	Total	Temporarily restricted	Unrestricted	Total
Revenues, gains and contributions						
Unrestricted revenues						
Contributions from member nations	-	1,757,646	1,757,646	-	1,384,628	1,384,628
Donated services	-	132,270	132,270	-	160,082	160,082
Interest	-	20	20	-	20	20
Overheads	-	27,074	27,074	-	11,229	11,229
Collaborative research network - CRN III	983,124	-	983,124	1,438,262	-	1,438,262
PDS 2016	147,066	-	147,066	-	-	-
SGP-CRA	-	-	-	306,762	-	306,762
ENSOCIO	-	-	-	7,666	-	7,666
Total revenues, gains and contributions	1,130,190	1,917,010	3,047,200	1,752,690	1,555,959	3,308,649
Expenses and losses						
Unrestricted expenses						
Core budget	-	(1,528,852)	(1,528,852)	-	(1,495,256)	(1,495,256)
Collaborative research network - CRN III	-	(1,614,828)	(1,614,828)	-	(1,516,763)	(1,516,763)
Training Institute - 2008	-	-	-	-	(161)	(161)
Training Institute - 2011	-	-	-	-	(107,820)	(107,820)
SGP - CRA program	-	-	-	-	(739,122)	(739,122)
Mac Arthur - new program	-	(5,797)	(5,797)	-	(33,542)	(33,542)
ENSOCIO meetings	-	-	-	-	(7,666)	(7,666)
PDS 2016	-	(104,454)	(104,454)	-	(32,166)	(32,166)
Total Expenses and losses	-	(3,253,931)	(3,253,931)	-	(3,932,496)	(3,932,496)
Change in net assets						
Unrestricted net assets - core budget	-	388,158	388,158	-	60,703	60,703
Collaborative research network - CRN III	(631,704)	-	(631,704)	(78,501)	-	(78,501)
Training Institute - 2008	-	-	-	(161)	-	(161)
Training Institute - 2011	147,066	-	147,066	(107,820)	-	(107,820)
Mac Arthur - new program	(5,797)	-	(5,797)	(33,542)	-	(33,542)
SGP-CRA	-	-	-	(432,360)	-	(432,360)
PDS 2016	(104,454)	-	(104,454)	(32,166)	-	(32,166)
Total change in net assets	(594,889)	388,158	(206,731)	(684,550)	60,703	(623,847)
Net assets at beginning of year						
Unrestricted net assets - core budget	-	441,109	441,109	-	380,406	380,406
Collaborative research network - CRN I	66,334	-	66,334	66,334	-	66,334
Collaborative research network - CRN III	2,971,926	-	2,971,926	3,050,427	-	3,050,427
Training Institutes - NSF Funds	5,762	-	5,762	5,762	-	5,762
Training Institutes - IHDP	(2,818)	-	(2,818)	(2,818)	-	(2,818)
Training Institute - 2008	4,633	-	4,633	4,799	-	4,799
Training Institute - 2011	(35,872)	-	(35,872)	71,948	-	71,948
SGP - CRA	5,000	-	5,000	432,356	-	432,356
Special Research Fund contributions	-	-	-	5,000	-	5,000
Mac Arthur - New Program	1,003	-	1,003	34,545	-	34,545
NKAR Program	2,587	-	2,587	2,587	-	2,587
PDS 2016	(32,166)	-	(32,166)	-	-	-
Total net assets at beginning of year	2,986,389	441,109	3,427,498	3,670,940	380,406	4,051,346
Net assets at end of year						
Unrestricted net assets - core budget	-	829,265	829,265	-	441,109	441,109
Collaborative research network - CRN I	66,334	-	66,334	66,334	-	66,334
Collaborative research network - CRN III	2,340,223	-	2,340,223	2,971,926	-	2,971,926
Training Institutes - NSF Funds	5,762	-	5,762	5,762	-	5,762
Training Institutes - IHDP	(2,818)	-	(2,818)	(2,818)	-	(2,818)
Training Institute - 2008	4,633	-	4,633	4,633	-	4,633
Training Institute - 2011	(35,872)	-	(35,872)	(35,872)	-	(35,872)
Special Research Fund contributions	5,000	-	5,000	5,000	-	5,000
Mac Arthur - new program	(4,794)	-	(4,794)	1,003	-	1,003
NKAR program	2,587	-	2,587	2,587	-	2,587
PDS 2016	10,446	-	10,446	(32,166)	-	(32,166)
Total net assets at end of year	2,391,501	829,265	3,220,766	2,986,389	441,109	3,427,498

Explanatory notes are integral part of accounting statements.

INTER-AMERICAN INSTITUTE FOR GLOBAL CHANGE RESEARCH - IAI

Statement of cash flows As of June 30, 2017 and 2016 (In U.S. Dollars)

	<u>30/6/2017</u>	<u>30/6/2016</u>
Cash flow from operating activities		
Change in net assets	(206.731)	(623.847)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	13.899	15.014
Changes in operating assets and liabilities		
Other accounts receivable	30.954	(11.422)
Accounts payable	19.379	(16.517)
CRN receivable	683	237
CRN III Project Advances	892.862	30.597
Training Institutes - Project Advances	-	(70)
Mac Arthur program - Grant 2011- advances	-	560
Training Institutes - 2008 grant	3.213	-
Training Institutes - 2011 grant	621	100.894
SGP-CRA	-	462.553
Advanced Core Budget Contributions	46.274	(4.948)
Net cash used in operating activities	801.154	(46.949)
Cash used to purchase/earned for selling fixed assets		
Purchase of fixed assets	(2.043)	(5.039)
	(2.043)	(5.039)
Change in cash and cash equivalents	799.111	(51.988)
Cash and cash equivalents at the beginning of year	444.180	496.168
Cash and cash equivalents at the end of year	1.243.291	444.180

Explanatory notes are integral part of accounting statements.

Management notes to the financial statements For the years ended June 30, 2017 and 2016 (in U.S. Dollars)

Note 1. Organization

1.1 Nature of Operations

The Inter-American Institute for Global Change Research - IAI (the "Institute") is an intergovernmental organization dedicated to supporting global change research, increasing the scientific capacity of the Americas, and to providing information in a useful and timely manner to policy makers. Its primary objective is to encourage research beyond the scope of national programs by advancing comparative and focused studies based on scientific issues important to the region as a whole.

In recognition of the importance of a regional approach to the study of global change, sixteen countries of the Americas signed the Agreement establishing the IAI on May 13, 1992 in Montevideo, Uruguay. The IAI Conference of the Parties in Mexico City, Mexico, in September 1994, elected the Instituto Nacional de Pesquisas Espaciais ("INPE") in São José dos Campos - São Paulo, Brazil, as the site of the IAI Directorate. The Directorate was inaugurated on March 1, 1996. For financial reporting purposes, the Directorate became fully operational on July 1, 1996. Nineteen countries had ratified the IAI Agreement as of June 30, 2007. In February 2012, the Conference of the Parties decided to move towards a Tri-Partite structure for the IAI Directorate, including a Science Planning office in Sao Jose dos Campos, a Science-Policy Liason office in Buenos Aires, and the Integrated Operations and Finance Directorate of the IAI to be moved to Montevideo. The moving occurred in the beginning of fiscal year 2014/2015.

The IAI Director is responsible for implementing the institutional policies and programs determined by the Conference of the Parties, the governing body of the IAI. The Scientific Advisory Committee provides general direction for the development and implementation of the IAI's scientific agenda and oversees a competitive peer review system. The IAI Executive Council assists the Conference of the Parties by providing recommendations related to IAI policies and advancement. The IAI receives voluntary contributions from member countries to support the operations of the Directorate.

The scientific programs and activities are supported by contributions from IAI member countries as well as from international funding agencies and programs. These funds are used to fund short-term research programs (up to 18 months) and long-term research programs (from 2 to 5 years).

The IAI Research Programs are composed of projects selected through a competitive process that may involve two steps: 1) presentation of a pre-proposal and 2) full proposal if the pre-proposal is approved. The evaluation of the proposals includes scientific and financial reviews.

The financial support provided by the IAI to the research activities has also permitted the different research groups and institutions to increase the contribution received by obtaining additional support within their own countries or from other agencies. In the case of the CRN Program, according to the information collected from the different research groups, support for students obtained from other sources almost tripled the support received from IAI.

Management notes to the financial statements
For the years ended June 30, 2017 and 2016
(in U.S. Dollars)

Note 2. Presentation of financial statements and significant accounting practices

2.1 Presentation of financial statements

The financial statements were prepared in accordance with accounting principles generally accepted in the United States of America.

Although the IAI is based in Uruguay, it maintains its official accounting records in U.S. dollars. Most of IAI's transactions are denominated in U.S. dollars; expenses in other currencies were translated at monthly average exchange rates.

The cash and cash equivalents originated in \$ (Uruguayan pesos) were translated into U.S. dollars using the official rate of exchange as of June 30, 2017 and 2016.

The official rate of exchange as of June 30, 2017 was \$ 28.495 per US\$1.00 and \$ 30.617 per US\$1.00 as of June 30, 2016.

2.2 Significant accounting practices

The main accounting practices used in preparing these financial statements are as follows:

2.2.1. Accounting classification

Receivables and payables with maturities of more than 12 months from the balance sheet dates are considered as long-term.

2.2.2. Cash and cash equivalents

IAI considers all highly liquid investments purchased with maturity of three months or less to be cash equivalents.

2.2.3. Allowance for doubtful contributions from member nations

This allowance is calculated at an amount considered adequate by management to cover any losses arising from collection of the requested contributions.

2.2.4. Property, plant and equipment and Intangible assets

Consist of computer hardware and software recorded at purchase cost, including interest and other finance charges applicable. Depreciation is calculated using the straight-line method over an estimated useful life of five years for all them, with the exception of furniture, ten years.

2.2.5. Receivables and payables

Receivables and payables are price-level adjusted according to the exchange rates or indices and interest rates specified in the contracts in force, to reflect amounts accrued through the balance sheet date.

The revenues related to specific projects, and considered as temporarily restricted revenues, are those that have temporary restrictions imposed by the donor. These restrictions permit the use of the assets as specified in the grant agreement and are satisfied either by the passage of time or by the actions of the organization.

INTER-AMERICAN INSTITUTE FOR GLOBAL CHANGE RESEARCH - IAI

Management notes to the financial statements For the years ended June 30, 2017 and 2016 (in U.S. Dollars)

2.2.6. Recognition of revenues and expenses

Contributions from member countries to the Core Budget, considered as Unrestricted Revenues, are recognized when they are received. The core budget expenses are generally recognized when they are incurred.

Until June 30, 2005, the research expenses and the respective amounts payable to the Research Institutes under the CRN I grants were recognized when the research agreements between the IAI and the Research Institutes were signed.

After that, for all programs, the expenses and the respective amounts payable to the research institute were recognized when the grantee institution meets all the conditions set in the grant agreement. The transfers of funds to the grantees are recorded as advances until the expenses are duly reported and the financial report is approved.

2.2.7. Income taxes

IAI is exempt from income taxes under Uruguayan tax legislation.

3. Cash and cash equivalents

	2017	2016
Proyectos	333.141	
Core Budget	910.150	444.180
Total	1.243.291	444.180

4. Scientific programs

The columns for each line item represent the cumulative values as of June of each year. The difference between both columns represents the financial activity during 2017 and 2016 fiscal years.

The projects are conducted by grantee institutions that receive the grant and assume legal and financial responsibility and accountability both for the funds awarded and for the performance of the grant-supported activity, and by a principal investigator who is the individual designated by the grantee and approved by IAI.

4.1. Collaborative Research Network Program - CRN I

The National Science Foundation (NSF) and the Agencia Nacional de Promoción Científica y Tecnológica de Argentina (ANPCYT) have agreed to make awards to IAI to support the Collaborative Research Network - CRN I, a network for global change research in the Americas.

The CRN I Project started in March 1999 and the total amount of support requested for this project from the National Science Foundation - NSF was approximately US\$ 10.000.000, which would be provided over a period of 5 years. For each year, NSF has sent an amendment to confirm the correct amount that the Institute could recognize in that year.

INTER-AMERICAN INSTITUTE FOR GLOBAL CHANGE RESEARCH - IAI

Management notes to the financial statements For the years ended June 30, 2017 and 2016 (in U.S. Dollars)

This award is distributed as follows:

	2017	2016
Scientific awards	9.947.270	9.947.270
Management costs	538.400	538.400
	10.485.670	10.485.670

The IAI approved the documentation for fourteen grantee institutions until June 30, 2005 and began transferring funds to the projects in September 1999. Distributions from the NSF to IAI and transfers from the latter to the grantee institutions have been made as follows:

CRN I Unallocated Research Funds	2017	2016
Total National Science Foundation award	10.485.670	10.485.670
Cash distributed to IAI	(10.356.555)	(10.356.555)
Remaining funds that will not be received by IAI	(129.115)	(129.115)
Total to be received by IAI	-	-
National Science Foundation Award for research	9.947.270	9.947.270
ANPCyT Award for research	61.370	61.370
Commitments made to grantee institutions	(10.446.439)	(10.446.439)
Reduction of 9% in the approved budgets	567.359	567.359
Payments for CRN I panel	(26.976)	(26.976)
Supplemental funds transferred to management expenses	(111.319)	(111.319)
Closing of program and remaining funds reimbursed by grantees	854.718	854.718
Remaining funds sent back to NSF thru check	(26.040)	(26.040)
Dissemination Activities of the CRN I Program Results	(753.609)	(753.609)
Total CRN I funds not allocated	66.334	66.334

CRN I Payable		
Commitments made to grantee institutions for research	10.446.439	10.446.439
Transfers made by IAI to the grantee institutions	(9.094.882)	(9.094.882)
Reduction of 9% in the approved budgets	(567.359)	(567.359)
Adjustments for closed projects (uncommitted commitments)	(784.198)	(784.198)
Total to be transferred to the grantee institutions - short-term liabilities	-	-

On April 24, 2007 the National Science Foundation granted an extension of time until November, 2007 without additional funds. These funds were used to pay publication costs.

INTER-AMERICAN INSTITUTE FOR GLOBAL CHANGE RESEARCH - IAI

Management notes to the financial statements For the years ended June 30, 2017 and 2016 (in U.S. Dollars)

4.2. Training Institutes on Interdisciplinary Global Environmental Change in the Americas

On September 22, 2004 the National Science Foundation (NSF) approved a grant to support the "Training Institutes on Interdisciplinary Global Environmental Change in the Americas". The original expiration date of the grant, which totalled US\$ 330.000, was February 28, 2006.

These funds were used to support two Training Institutes, one in Paraguay, another in Jamaica, and a "Seed Grants" Program.

The first advance of funds was requested to the NSF on September 27, 2005.

On February 10, 2006 the NSF approved an extension of the expiration date, without additional funds, until February 28, 2007.

	2017	2016
Funds Received from the NSF	330.000	330.000
Expenses on TI-Paraguay	(81.794)	(81.794)
Seed Grants - TI Paraguay	(45.389)	(45.389)
Expenses on TI-Jamaica	(108.274)	(108.274)
Seed Grants - TI Jamaica	(41.101)	(41.101)
Meetings related to the TIs	(48.490)	(48.490)
Remaining funds from TISG-P1	810	810
Unallocated NSF Funds for TI	5.762	5.762
Funds Received from IDRC	26.097	26.097
Expenses on TI-Jamaica	(11.597)	(11.597)
Expenses with Seed Grants - TI Jamaica	(14.500)	(14.500)
Unallocated NSF Funds for TI	-	-
Expenses on TI-Paraguay (IHDP Funds)	(2.818)	(2.818)
	(2.818)	(2.818)

The "Unallocated NSF Funds for TI" refers to remaining funds in the following activities - and will be used to cover future publication costs:

	2017	2016
TISG - P1	754	754
TISG - P2	3.502	3.502
TISG - P3	1.506	1.506
	5.762	5.762

4.3. Training Institutes to Develop Capacity in Interdisciplinary Global Environmental Change Sciences

On August 1st, 2008, the National Science Foundation approved a grant of US\$ 300.000 to support the project (GEO-0745732). This award will expire on January 31st, 2011.

The activities related to the new Training Institutes started on February 2008, but the grant covered only the expenses incurred after May, 2008.

INTER-AMERICAN INSTITUTE FOR GLOBAL CHANGE RESEARCH - IAI

Management notes to the financial statements For the years ended June 30, 2017 and 2016 (in U.S. Dollars)

The expenses incurred before that, were covered by CRN II program funds:

	2017	2016
Contributions received from NSF	300.000	300.000
Reversion of TI in Panamá, paid using CRN II funds	62.729	62.729
Reimburse of air tickets not used	510	510
	363.239	363.239
Training Institute - Panama	(62.729)	(62.729)
Training Institute - Honduras	(10.318)	(10.318)
Training Institute - Costa Rica	(16.063)	(16.063)
Training Institute - Natal	(67.697)	(67.697)
Training Institute - Santiago	(53.906)	(53.906)
Training Institute - Montevideo	(28.641)	(28.641)
Training Institute - Paraguay	(27.178)	(27.178)
Foro Editorial in Buenos Aires	(48.370)	(48.370)
Launch of IAI/CEP Book	(4.361)	(4.361)
Climate Conference in Montego Bay	(3.154)	(3.154)
IAI/CPTEC Internship program	(27.074)	(27.074)
Publications	(12)	(12)
	(349.503)	(349.503)
Administrative support	(8.724)	(8.724)
Translation services	(379)	(379)
Remaining NSF Funds	4.633	4.633

Note: Although the financial statements show the total of US\$ 4.633 as "Remaining NSF Funds", the "cash flow" of this program as of June 30, 2017 has the following composition:

	2017	2016
Remaining NSF Funds	4.633	4.633
Advances for meetings	(3.213)	(3.213)
Cash balance	1.420	1.420

4.4. Mac Arthur – new program

A new Mac Arthur grant for supporting the assessment of climate change impacts on biodiversity in the tropical Andes was signed on Dec 22nd, 2010. The completion date would be December 31, 2013. No cost extension has been approved. New end date is now December 31, 2016.

Expected payment schedule:

Initial Installment: US\$ 170.000;
Year 2: US\$ 165.000;
Year 3: US\$ 165.000.

INTER-AMERICAN INSTITUTE FOR GLOBAL CHANGE RESEARCH - IAI

Management notes to the financial statements For the years ended June 30, 2017 and 2016 (in U.S. Dollars)

	2017	2016
Contributions received from MacArthur	500.000	500.000
Project management	(16.561)	(16.561)
Part I - Climate, landuse and biodiversity - scientific coordination	(119.482)	(119.482)
Part I - Climate component - travel	(11.017)	(11.017)
Steering Committee - Meetings in Quito	(8.009)	(8.009)
Nature Serve - Meetings in Quito	(7.267)	(7.267)
Meetings and PI travels	(99.043)	(99.043)
Equipments	(1.797)	(1.797)
Subgrants	(199.548)	(199.548)
Overhead	(36.273)	(36.273)
Remaining MacArthur funds	1.003	1.003

Note: The “cash flow” of this program as of June 30, 2017 has the following composition:

	2017	2016
Remaining Mac Arthur Funds	1.003	1.003
Advances for meetings	(5.797)	
Cash balance	(4.794)	1.003

4.5. IAI Interdisciplinary Training Program (Training Institute 2011)

On September 29, 2011 the National Science Foundation (NSF) approved a grant (GEO-1143506) to support the project “IAI Interdisciplinary Training Program”

This is a grant continuing for approximately 3 years, contingent on the availability of funds and on the scientific progress of the project.

NSF approved the full budget of US\$ 820.000

Effective: October 1st, 2011 to September 30, 2014

No cost extension has been approved. New end date is now September 30, 2016

	2017	2016
Contributions received from NSF	684.712	684.712
Administrative Support	(19.262)	(19.262)
Meetings	(265.462)	(265.462)
Reported Expenses from Grantees	(435.860)	(435.860)
Equity	(35.872)	(35.872)
Advances to Grantees (balance)	(4.109)	(4.730)
Cash on Hand	(39.981)	(40.602)

INTER-AMERICAN INSTITUTE FOR GLOBAL CHANGE RESEARCH - IAI

Management notes to the financial statements For the years ended June 30, 2017 and 2016 (in U.S. Dollars)

4.6. Collaborative Research Network Program III (CRN III)

On March 3, 2012 the National Science Foundation (NSF) approved a grant (GEO-1128040) to support the scientific activity entitled: "3rd Collaborative Research Network – CRN3"

This is a grant continuing for approximately 4 years, contingent on the availability of funds and on the scientific progress of the project:

- NSF approved the full budget of US\$ 10.500.000;
- Effective: March 1, 2012 to February 28, 2017.

	2017	2016
Contributions received from NSF	6.357.046	6.357.046
Administrative expenses	(1.701)	(1.701)
Meetings	(103.699)	(103.699)
Reported Expenses - from grantees	(3.911.423)	(3.279.720)
Equity	2.340.223	2.971.926
Advances to Grantees (balance)	(2.082.205)	(2.975.067)
Cash on Hand	258.018	(3.141)

4.7. IAI Interdisciplinary Training Program (PDS 2016)

On August 13, 2015 the National Science Foundation (NSF) approved a grant (GEO-1434450) to support the project "IAI Professional Development Seminars to develop capacity building for global environmental change science and its policy application in the Americas". On August 11, 2016 the National Science Foundation (NSF) approved additional support for the award.

This is a grant continuing for approximately 4 years, contingent on the availability of funds and on the scientific progress of the project.

NSF approved the full budget of US\$ 276.750
Effective: August 13, 2015 to July 31, 2019

	2017	2016
Contributions received from NSF	10.446	-
Meetings		(32.166)
Equity	10.446	(32.166)

INTER-AMERICAN INSTITUTE FOR GLOBAL CHANGE RESEARCH - IAI

Management notes to the financial statements For the years ended June 30, 2017 and 2016 (in U.S. Dollars)

5. Core budget receivable

5.1. Status of the requested contributions to the core budget from the member countries

	Due as of 30-Jun-16	Contribution for FY 16/17	Paid - in 2016/2017 to be applied to:			Due as of 30-Jun-17
			Arrears	Current year	Advances	
Argentina	147.957	69.000	(138.000)			78.957
Bolivia	50.000	5.000				55.000
Brazil	460.000	120.000	(459.794)			120.206
Canada	47.339	173.000	(47.339)	(95.179)		77.821
Chile	3.000	8.000	(3.000)	(2.000)		6.000
Colombia	9.192	13.000	(8.936)			13.256
Costa Rica	(352)	5.000		(4.648)	(5.340)	(5.340)
Cuba	60.067	5.000				65.067
Dominican Republic	95.000	5.000				100.000
Ecuador	10.000	5.000	(10.000)	(5.000)	(5.000)	(5.000)
Guatemala	95.000	5.000				100.000
Jamaica	60.000	5.000				65.000
Mexico	-	85.000		(85.000)		-
Panama	-	5.000		(4.915)	(5.000)	(4.915)
Paraguay	43.877	5.000	(9.724)			39.153
Peru	2.416	6.000	(2.415)	(6.000)	(26.286)	(26.285)
Uruguay	4.700	5.000	(4.700)	(5.000)	(5.000)	(5.000)
USA (*)	156.059	831.000	(87.060)	(778.584)		121.415
Venezuela	90.000	45.000				135.000
Totals	1.334.255	1.400.000	(770.968)	(986.326)	(46.626)	930.335
Total Revenues:	(1.379.328)					(1.757.294)
Advanced received:	(352)					(46.626)
Advance from las year:	(5.300)					(352)
Total Revenues:	(1.384.628)					(1.757.646)

(*) The contribution from the United States of America is paid through the National Science Foundation (NSF). Every year the NSF approves an award for the equivalent amount of the USA's voluntary contribution to the IAI. This amount remains available at the NSF and the IAI requests transfers according to its cash needs and the terms of the award.

5.2. Donated services, utilities and use of fixed assets

According to Annex A of the Agreement between the Government of the Federative Republic of Brazil and the IAI concerning the headquarters of the Institute, the Brazilian Government provides the IAI, at no cost, with the following resources:

	2017	2016
Premises, equipment and security	-	42.042
Cleaning and common expenses	-	10.822
	-	52.864

INTER-AMERICAN INSTITUTE FOR GLOBAL CHANGE RESEARCH - IAI

Management notes to the financial statements For the years ended June 30, 2017 and 2016 (in U.S. Dollars)

According to Article IV of the Agreement between the República Oriental del Uruguay and the IAI concerning the headquarters of the Institute, the Uruguayan Government provides the IAI, at no cost, with the following resources:

	2017	2016
Support staff	96.336	75.096
Office	30.786	26.993
Cleaning and common expenses	5.148	5.129
	132.270	107.218

6. Property and equipment and Intangible assets

		2017	2017	2016
	Annual Depreciation Rates - %	Cost	Accumulated Depreciation	Net
Capital Equipment (computer and accessories)	20	35.381	(27.017)	8.364
Software	10	19.032	(7.381)	11.651
Communication Equipments	10	1.297	(566)	731
Furniture and office equipments	10	64.378	(21.273)	43.105
		120.088	(56.237)	63.851
				75.708

7. Current liabilities

Accounts payable	2017	2016
Salaries, Benefits and taxes over payroll	140.727	107.141
Suppliers	4.520	18.727
Contributions advance to Core Budget	46.626	352
	191.873	126.220

INTER-AMERICAN INSTITUTE FOR GLOBAL CHANGE RESEARCH - IAI

Management notes to the financial statements For the years ended June 30, 2017 and 2016 (in U.S. Dollars)

8. Management and general expenses

	2017		2016	
	Budget	Actual	Budget	Actual
Salaries and benefits	978.903	1.076.597	920.230	1.001.133
Staff travel	99.280	84.955	99.280	118.675
Equipment	10.700	3.262	10.700	-
Dissemination	39.000	48.219	39.000	43.840
Director's funds	54.000	-	54.000	-
Others	218.117	183.549	296.854	171.526
Donated Services, utilities and use of fixed assets	-	132.270	-	160.082
	1.400.000	1.528.852	1.420.064	1.495.256

9. Defined contribution benefits

In the case of the foreign employees, the employment contract provides for a Retirement Plan as follows: "Retirement. The Employee's monthly contribution will be matched two-for-one by the IAI, but will be capped at fourteen (14) percent for the Employer's contribution. The maximum contribution for retirement will be twenty-one (21) percent of the monthly salary, representing the Employee's maximum contribution of seven (7) percent and IAI's maximum contribution of fourteen (14) percent."

The employment contract between the Director and the IAI is approved by the IAI Executive Council and signed by the Chairman of the Executive Council on behalf of the IAI. The employment contracts with the rest of the foreign employees are signed by the Director on behalf of the IAI. The contribution from IAI during fiscal year 2016/2017 was US\$88,295 (US\$86,121 in fiscal year 2015/2016).

10. Subsequent events

The Institute evaluated subsequent events as of June 8, 2018.

Annex 3

Core Budget and Country Contributions for FY 2018-2019 and Preliminary request 2019-2021



ORIGINAL: ENGLISH

5 June 2018

**CONFERENCE OF THE PARTIES TO THE
INTER-AMERICAN INSTITUTE FOR GLOBAL
CHANGE RESEARCH
Twenty-sixth meeting
Antigua, Guatemala, 20-21 June 2018
Agenda item 5b**

Financial and budgetary matters

**Annex 2: Core budget and country contributions for FY 2018-2019 and preliminary
request 2019-2021**

1. This document has been prepared by the IAI Directorate.

Introduction

Operational budget

2. Below is the proposal for the 2018-2019 core budget and the preliminary request for 2019-2021.
3. In this proposal the country contributions and the core budget remain unchanged from 2017-2018. However, professional staff salaries are matched against the United Nations (UN) *salary scales for professional and higher categories*.³ A post adjustment of 32% is applied to the salaries.

³ *The level of salaries for Professional staff is determined on the basis of the Noblemaire Principle which states that the international civil service should be able to recruit staff from its Member States, including the highest-paid. Therefore, the salaries of Professional staff are set by reference to the highest-paying national civil service. The International Civil Service Commission (ICSC) makes a periodic check to identify the national civil service of the*

UN salary scales for professional and higher categories

4. The reasons for use of the *UN salary scales for professional and higher categories* are outlined below.
5. First, and currently, IAI Directorate salaries lack a base for comparisons when deciding on remuneration for new staff. This may lead to divergences in salaries among staff at the same level with equal responsibilities.
6. Second, the IAI Directorate would be able to apply the *Noblemaire* principle and be able to provide an adequate measurement of salaries for international civil servants. This will facilitate the ability of the IAI Directorate to more easily recruit staff from its Parties.
7. Third, it is also noted that most international and regional organizations adhere to the UN salary scales for professional and higher categories, the Organization of American States, perhaps the regional American organization with the governance structure most similar to that of the IAI, being a case in point.
8. Fourth, recruitment of international staff, particularly in terms of geographical balance, is facilitated since it becomes easier to explain remuneration and benefits.

Overview of the IAI Directorate

Posts, consultancies and internships

9. Administration of the IAI Directorate during the intersessional period has undergone several changes. These changes reflect efforts to streamline processes, implement a more coherent approach to staff responsibilities and tasks and, most importantly, reduce expenses.
10. The post of Operations Assistant was changed to Operations and financial assistant, part-time, to better reflect the needs of the IAI Directorate including support to the finance unit. This new post is also providing translation support, when needed.
11. The Director of Administration, Finance and Operations resigned from his post on 31 March 2018. A Director level position may not be necessary for this post and, until the IAI Directorate is able to ascertain its full requirements, the position is being held temporarily by an Acting Administration, Finance and Operations Officer.

Member State which has the highest pay levels and which by its size and structure lends itself to a significant comparison. The federal civil service of the United States of America has to date been taken as the highest paid national civil service. (see: United Nations salaries, allowances, benefits and job classification: Salaries and post adjustment. (URL: http://www.un.org/Depts/OHRM/salaries_allowances/salary.htm)

12. The post of International Partnerships and UN Liaison was upgraded to a Director level in acknowledgement of substantial increased responsibilities, including management and supervision of activities related to fund-raising and communications, and in light of the level of strategic advice provided to the Executive Director.
13. The post of Science-Policy is currently held by the Executive Director, given the termination of the consultancy in Buenos Aires, Argentina. Discussions are being held with the United States regarding possible support for the post.
14. The post of Executive Assistant to the Director was upgraded to include responsibilities related to the coordination of work on open data and information and communication technologies.
15. The consultancy for the post of Science-Policy counselor was not renewed as the expertise under this consultancy is available in the IAI Directorate.
16. However, use of consultancies has increased in the IAI Directorate, reflecting the need for temporary specialized services and also the need to reduce full time staff costs. In this regard, a consultancy for the provision of technical expertise in the development and implementation of an IAI open data catalog joined the IAI Directorate in 2018. The IAI Directorate acknowledges the generous contributions by the National Science Foundation (NSF) and the Center for Earth Observation Sciences (CEOS), the University of Alberta towards the partial fulfillment of the consultant's fees.
17. A consultancy regarding expertise related to science was also acquired by the IAI Directorate with a view to providing an outside review of its work and assisting in the development of granting proposals and drafting of reports.
18. The IAI has started a process of recruiting interns supported by their countries or other sources. During the intersessional period, the Republic of Korea provided an internship to the IAI Directorate for a period of six months. This internship assisted the IAI Directorate in completing a number of projects including, but not limited to, a reconversion project to make missing information on the Conference of the Parties (CoP) available on the website, a consolidation and re-numbering of CoP Decisions, assigning meeting documents their correct categories and the development of a news and published research service to IAI Directorate staff. In September 2018 a new intern from Costa Rica will start her training experience with the IAI fully supported by the University of Michigan.
19. Information on changes to posts related to information and communication technologies is provided in the section below.

Information and communication technologies

20. Work related to information and communication technologies, including the IAI Directorate network, hardware and telephony were centralized through a contracting firm

based in Montevideo, Uruguay. Previously, such services were dispersed with different responsibilities held by 2 different in-house consultants and two companies in Buenos Aires, Argentina. This rationalization of work has resulted in an annual saving of USD6000.

21. In addition, legal software licenses were updated or acquired, security of the network and website were strengthened and an IP telephony system implemented which has provided staff with office telephones.
22. Following several comments by participants of IAI video meetings on the non-functionality of the IAI Directorate's video conference system, Big Blue Button, the IAI Directorate tested several different off-the-shelf packages, including GoToMeeting, ZOOM, and SKYPE for business. ZOOM met the requirements of the IAI Directorate, offered the best price and can accommodate multi-language needs. The software was acquired and is currently being used by IAI staff.

Implementation of the Tripartite Agreement

23. Information on implementation of the Tripartite Agreement is provided in document *Decision XXV/30: Implementation Committee for the Tripartite Structure of the IAI*, no. IAI/COP/26/13.

Internal Controls

24. Internal controls are monitored and updated as necessary and as appropriate. At the time of writing, there are no critical internal control issues outstanding either from the Financial and Administrative Committee or the External Auditors.
25. Information on the 2017-2018 Auditors Report is provided in document *Annex 3: Auditors Report and approval of Financial Status report*, no. IAI/COP/26/5/annex3. The Auditors report was received without qualifications.

Accounting and information management software

26. The Financial and Administrative Office of IAI continues to streamline everyday activities, financial reporting, project monitoring, while maintaining internal controls, and satisfactory external audit results.
27. As in past years, the budget for 2018/2019 includes the contracting of an additional position to improve management, reporting and analysis, particularly of the science and capacity building programs, and assist the development of accounting records, for those activities across Parties.

28. Besides the analysis of financial reports and requests received from the grantees, Finance and Administration is responsible for the assessment and monitoring of the financial and administrative capabilities of prospective and current grantees as well as for the control of all contracts issued by the Directorate.

29. Ongoing activities include budget development, strategic planning, as well as management reporting and analysis.

Budget Request for Fiscal Year 2018-2019: Overview

30. The Core budget comparison for 2018/2019 – 2017/2018 is presented in Table I below.

31. The Core budget preliminary request for fiscal years 2019-2021 is presented in Table II below.

Core budget comparison

Table I: Budget Comparison 2018/2019 – 2017/2018
Summary by major category

Amounts in US\$	Fiscal Year 2018-2019	Fiscal Year 2017-2018	Difference
Salaries & Benefits	993,062	978,903	14,159
Travel	86,930	99,280	(12,350)
Equipment	13,198	10,700	2,498
Operational Costs	233,810	218,117	15,693
Dissemination & Outreach	19,000	39,000	(20,000)
Director's Fund	54,000	54,000	-
Total	1,400,000	1,400,000	(0)

Preliminary request for 2019-2021

Core budget preliminary request for fiscal years 2019-2021

Table II: Budget by Year 2018/2019 - 2019/2020 – 2020/2021
Summary by major category

Amounts in US\$	Fiscal Year 2018-2019	Fiscal Year 2019-2020	Fiscal Year 2020-2021
Salaries & Benefits	993,062	1,056,616	1,057,710
Travel	86,930	91,232	93,940
Equipment	13,198	15,000	6,639
Operational Costs	233,810	257,152	261,711
Dissemination & Outreach	19,000	20,000	20,000
Director's Fund	54,000	60,000	60,000
Total	1,400,000	1,500,000	1,500,000

The budget for 19/20 and 20/21 are for reference and planning purposes, and each year a three-year budget will be presented, however approval for each one is made yearly.

Salaries and Benefits

32. Under this category the cost of 5 internationally recruited positions, 2 locally hired staff in Uruguay are budgeted.

33. The current details by employee status are provided in Table III below.

Table III

Employees by Type	Quantity
International Staff	5
Locally Hired (IAI)	2
Provided by LATU	2

34. Under the proposed 2018-2019 core budget, salaries of staff would be matched against the United Nations professional salary scales. Accordingly, salary scales would be based on Professional grades (P-1 to P-5) and two Director levels (D-1 and D-2)⁴.

Travel

35. The travel budget for the 2018/2019 fiscal year has been decreased from the previous fiscal year. This item covers travel for EC, CoP, SAC, SPAC meetings, visit to Parties.

Operational expenses

36. This budget category primarily includes support for the following: staff training, professional services (external audit, legal advice, IT Services, translations, accounting services, office supplies and communication costs, and meeting support for the Scientific Advisory Committee - SAC and for the Science-Policy Advisory Committee - SPAC).

Dissemination and Outreach

37. The costs of the IAI outreach activities are expected to decrease from that of last year. This component of the budget also includes web design.

Director's Special Fund

38. The Director's Special Fund is level with the previous fiscal year at USD54,000.

Party Contributions to the Core Budget

39. Country contribution under this proposal remains unchanged from 2017-2018.
40. However, it is noted that, excepting Parties which adhered to Decision XXII/10, the amount of contributions remains unchanged for most Parties since the entry into force of the *Agreement* in 1992.

⁴ See: United Nations International Civil Service Commission. *Salary scale for the Professional and higher categories: Annual gross salaries and net equivalents after application of staff assessment in US dollars - effective 1 January 2018*. (<https://icsc.un.org/resources/sad/ss/sal201801.pdf>)

41. Moreover, USD5000.00 in January 1992 had the same buying power as USD8974.19 in January 2018⁵, or, in other words, the purchasing power in 2018 of the Core Budget has decreased significantly.
42. Given the lateness in submitting or the non-submission of contributions by some Parties, the capacity of the IAI Directorate to meet its operational responsibilities is under strain.
43. While for fiscal year 2018-2019, the IAI Directorate proposes to not increase the level of contributions from the previous fiscal year, Parties may wish to consider voluntary increases to the core budget, particularly those Parties whose contributions have not increased since 1992.
44. It should be noted that the last increase to the budget was adopted by CoP-22 (Mexico, D.F., 2014) four years ago. The increase accorded by CoP-22 totaled USD116000.
45. During the 2018-2019 intersessional period, the IAI Directorate also proposes to work with the Financial and Administrative Committee to present to CoP-27 different options regarding increases to Party contributions and possible use of United Nations post adjustment scales on professional staff salaries.

Recommendation

46. The Conference of the Parties is invited to consider adopting the draft decisions contained in the Annex to the present document.

⁵ United States. Department of Labor. Bureau of Labor Statistics. *CPI inflation calculator*. (https://www.bls.gov/data/inflation_calculator.htm)

Annex

Draft decisions of the Conference of the Parties

Core Budget

Directed to the Conference of the Parties

XXVI/xx. The Conference of the Parties accepts and approves the Core Budget for fiscal year 2018-2019.

XXVI/xx. The Conference of the Parties accepts and approves the Core budget preliminary request for fiscal years 2019-2021.

Party Contributions

Directed to the Conference of the Parties

XXVI/xx. The Conference of the Parties urges Parties to submit their contributions to the Core Budget in a timely manner and in accordance with the basic scale and encourages them to make extraordinary contributions above their regular contributions whenever possible and as appropriate.

XXV/xx. The Conference of the Parties invites Parties to submit their contributions as far as possible during the year prior to the one to which they relate or, otherwise, by the beginning of the calendar year to which the contributions apply.

Directed to the IAI Directorate

XXVI/xx. The Conference of the Parties instructs the IAI Directorate to continue to monitor Parties that have pending contributions to the Agreement by sending reminders twice yearly,

with copies to the permanent missions in Montevideo, Uruguay and initiating discussions with the permanent missions in Montevideo of the Parties with pending contributions for three or more years.

XXVI/xx. The Conference of the Parties instructs the IAI Directorate to work with the Financial and Administrative Committee to present to CoP-27 different options regarding increases to Party contributions and possible use of United Nations post adjustment scales on professional staff salaries.